**Statement**

**Of**

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**Fishing Vessel Owners Association**

**To The**

**Senate Subcommittee on Oceans and Fisheries**

**January 19, 2000**

Madam Chair:

On behalf of the Fishing Vessel Owners Association ("FVOA"), I would like to thank you for the opportunity to provide this statement. The FVOA is a trade association representing the owners of 84 hook-and-line fishing vessels that operate in fisheries from California to Alaska, and in the mid-Pacific Ocean. Our fisheries include halibut, sablefish, and Pacific cod in the Bering Sea and Gulf of Alaska, and sablefish off the coasts of Washington, Oregon, and California, as well as albacore within and beyond the United States Exclusive Economic Zone in the Pacific Ocean. Although I am, at present, a member of the Pacific Fishery Management Council, and I am a former member of the North Pacific Fishery Management Council, I provide this statement solely in my capacity as Manager of the FVOA. I note that the Deep Sea Fishermen's Union, which represents the crewmen on vessels owned

by FVOA members, has endorsed this statement.

**SUMMARY**

The FVOA and DSFU believe that the 1996 amendments to the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1801, *et seq.*) have provided, in several respects, the basis for improved management of our nation's fisheries. The Act's National Standards on safety (National Standard 10, 16 U.S.C. 1851(a)(10)) and bycatch (National Standard 9, 16 U.S.C. 1851(a)(9)), enacted in the Sustainable Fisheries Act of 1996, are notable for the focus that they have provided on critically important aspects of fisheries management. The FVOA and DSFU were joined by the Alaska Crab Coalition ("ACC") in first proposing the enactment of these new National Standards, and in securing wide support among Washington State and Alaskan fishing industry organizationS. The FVOA, DSFU, and ACC also contributed to the development of conservation-related amendments to the then Magnuson Act in 1990.

The habitat provisions of the Sustainable Fisheries Act have contributed to the progressive management of our fisheries. In particular, these provisions have helped to draw attention to the need for actions to reduce the impacts of trawling on the benthic environment, which serves as nursery grounds for valuable species of fish. The FVOA, DSFU, and ACC took the initiative among fishing industry groups to propose habitat-related amendments during the process leading to the Sustainable Fisheries Act.

Most importantly for the FVOA and DSFU, the Sustainable Fisheries Act preserved the Individual Fishing Quota ("IFQ") program that had been established for the halibut and sablefish fisheries off the coast of Alaska. This program, after ten long years of preparation by the North Pacific Fishery Management Council and the Department of Commerce, ended the

deadly and damaging open access halibut and sablefish fishing derbies. IFQs have been the great success that their proponents had predicted from the outset of the development of the program.

However, one provision of the Sustainable Fisheries Act--the moratorium on IFQs--cannot be viewed as contributing in a positive way to fisheries management. 16 USC 1853(d)(1). On the contrary, this congressionally-imposed constraint on fisheries managers serves as a roadblock to effective management, especially, but not exclusively, in fisheries plagued by excess fishing capacity and/or low resource abundance.

Based on the very favorable experience in the halibut and sablefish fisheries, the FVOA and DSFU believe that individual transferable quotas should be available for application to any fishery in the United States Exclusive Economic Zone. **The FVOA and DSFU urge Congress to allow the statutory moratorium on individual quotas to expire in accordance with its terms.** This position is strongly supported by the ACC, as well as by all the regional fishery management council chairmen. Equally notable is the fact that the report to Congress by the National Research Council of the National Academy of Sciences, as directed by the Congress in the 1996 amendments (section 108(f), P.L. 104-297) definitively describes the benefits of individual fishing quotas. The development and design of IFQ programs by the regional fishery management councils should be permitted as recommended by the NRC. Executive Summary, Prepublication Copy, December 18, 1998.

The FVOA and DSFU are seriously alarmed, and adversely affected, by the conditions prevailing in West Coast groundfish fisheries under the jurisdiction of the Pacific Fishery Management Council. Here is a case crying out for some form of IFQs. Excess harvesting capacity and extremely depressed resource conditions combine to defeat conventional management. Indeed, it is conventional management necessitated by the IFQ moratorium, and a flawed system of scientific data acquisition and analysis, that have caused these conditions. An attempt at creative management by the Pacific Council only resulted in a legal determination

that the proposed measures violated the IFQ moratorium. As described in detail, below, this led to perverse results. **If Congress decides to extend the IFQ moratorium, an exception should be made for West Coast groundfish fisheries. At a minimum, Congress should ensure that the Pacific Council will no longer be constrained by interpretations of the IFQ moratorium that prevent the establishment of vitally needed, remedial management measures.**

**The FVOA and DSFU also ask Congress to extend to the Pacific Region the fisheries research plan provisions of the Magnuson-Stevens Act.** 16 U.S.C. 1862. As discussed further, below, there is an urgent need for a comprehensive observer program in the depressed groundfish fisheries off the Pacific Coast. There is simply no other way to obtain reliable data on bycatch of depressed, and even threatened, species. It is true that the industry would be hard-pressed to find the funds to pay for an observer program. But it also the case that Congress has been unwilling, to date, to provide federal funds. An effective observer program is indispensable to recovery of the fish stocks and the fishing industry. Authorization for the imposition of observer fees on industry should be provided, so that, in the continued absence of federal funding, the vitally needed observer program can be established. The fishing industry stands to benefit from improved conservation of our public resources. Consequently, the industry should be prepared to pay for the needed observer program, if federal funding is inadequate or unavailable. Playing Russian Roulette with our fisheries has proved disastrous to important groundfish species and to the industry that has depended on them. We must have observer data in order to manage our fisheries with confidence that we are doing the right things. I note that, in the event that an IFQ program is established for these fisheries, industry capability and willingness to fund an observer program would, no doubt, be considerably enhanced.

**Conservation**

As discussed in detail, below, replacement of the open access race for fish by the

halibut/sablefish IFQ program has resulted in improved conservation and management. The incidental catch of halibut in the directed sablefish fishery has declined 38%. The incidental catch of groundfish in the sablefish fishery has dropped by 39%. Halibut mortality due to lost fishing gear has decreased by 59.65% (translating to an average $3.5 million dollar saving, annually).

Incidentally caught sablefish is no longer discarded in the directed halibut fishery. Sablefish in the western and central Gulf of Alaska is now fully harvested, not only avoiding waste, but also generating an economic gain for the industry (an average $3.93 million gain, annually).

These improvements accord with the principal purpose of the Magnuson-Stevens Act, which is conservation, and with a major, related objective of that statute, minimizing bycatch and related mortality. 16 U.S.C. 1851(a)(1), (9).

In the absence of IFQs, the West Coast groundfish fisheries have continued to be plagued by excessive waste. This has contributed to the further decline of once-abundant resources.

**Safety**

As noted above, the Magnuson-Stevens Act requires that fisheries management promote the safety of human life at sea. 16 U.S.C. 1851(a)(10). Replacement of the open access race for fish by the IFQ Program has greatly improved the safety of life in the halibut and sablefish fisheries off the Alaskan coast. The former halibut fishing derby was the second most dangerous occupation in the United States (preceded only by the Bering Sea crab fisheries).

Weather conditions off the coasts of Washington, Oregon, and California are by no means as severe as the conditions off the coast of Alaska, where the halibut/sablefish program functions. Nevertheless, there are injuries and vessel and gear losses attributable to the race for fish in bad weather in the Pacific Council region. IFQs would undoubtedly provide relief,

insofar as the pace of the fisheries would be slowed and fishermen would be able to choose the conditions in which they would carry out their operations.

**Communities**

The Magnuson-Stevens Act requires that fisheries management take into account the interests of fishing communities. 16 U.S.C. 1851(a)(8). Community development quotas ("CDQs"), which are integral to the halibut/sablefish IFQ program, have assured isolated, low-income, Alaskan native coastal communities a major source of employment and revenue. At the same time, economic and social disruption of other communities has been avoided; the top five halibut ports and the top four sablefish ports remain the same as under the open access system. Small vessels serving minor ports have been guaranteed their place in the fisheries, and an industry fee-based loan program has been established for the owners of those vessels and for new entrants to the fisheries. In short, this IFQ program has increased the overall value of the fisheries, making it possible to dedicate a portion to the poorest communities, without adversely affecting the others.

The FVOA and DSFU would by no means suggest that CDQs or an industry-funded loan program be established in the Pacific region. Conditions there are quite different from those in Alaska, where communities are both small and isolated and have fewer sources of income. However, it is a fact that some communities in the Pacific region will suffer greatly from the depressed conditions in the groundfish fisheries and that an IFQ system, by improving those conditions, would contribute to the recovery of the affected, local economies.

**Overcapitalization**

The Magnuson-Stevens Act provides for consideration of economic efficiency, and for reduction of excess fishing capacity. 16 U.S.C. 1851(a)(5), 1861a (a)-(e). Excess capacity in fisheries has been identified as one of the fundamental causes of resource declines, unsafe

conditions, lost economic efficiency, and lower quality product. The halibut/sablefish IFQ program has resulted in a reduction of the halibut fleet from 3,450 (1994) to 1,601 (1998). Restricted Access Management ("RAM") Report, NMFS, 1999, page 27. Conservation risk associated with fishing pressure on the resources has declined radically. Unsafe conditions due to 24-hour halibut derbies and 2-week sablefish seasons have disappeared, as fishermen have gained the opportunity to conduct their operations in periods of good weather during eight months of the year. Longer seasons have led to full-time employment on vessels and in processing plants, and higher fish values have resulted in better lives for vessel owners and crews. Slower paced fisheries have allowed much improved handling of the catches, and thus, better quality product for the consumer. It is reliably estimated that a government-funded buyback achieving what was accomplished by the halibut/sablefish IFQ program would have cost the taxpayers approximately $318.8 million.

There is considerable doubt that an industry-funded buyback can work in the West Coast groundfish fisheries. The financial condition of the fleet and the depressed condition of the resources suggest strongly that the economic basis for such a buyback simply does not exist for those fisheries. By the same token, there is no indication that Congress is willing to provide federal funds to pay for a fleet reduction program. These factors, too, argue for IFQs.

**Greatest Overall Benefit to the Nation--Conservation, Safety, Efficiency, Quality, Value**

The Magnuson-Stevens Act requires that fisheries management achieve the greatest overall benefit to the Nation. 16 U.S.C. 1851(a)(1); *see* 16 U.S.C. 1802 (28)(A). In addition to achieving improved conservation, safety, and efficiency, the halibut/sablefish IFQ program has resulted in improved product quality and higher product value. The slower paced fisheries have translated to greater availability of higher quality product, in particular, fresh halibut for eight months, instead of a few days of the year, and greater bargaining power for U.S.

producers in the sablefish export market. Landings of halibut provide a continuous supply of product for eight months, averaging about 12% of the harvest per month. The same is true for sablefish. RAM Report, NMFS, 1999, page 12. Similar benefits could be anticipated for the groundfish fisheries of the Pacific region.

## REVIEW OF THE HALIBUT/SABLEFISH INDIVIDUAL FISHING QUOTA AND COMMUNITY DEVELOPMENT QUOTA PROGRAMS

When the North Pacific Fishery Management Council recommended approval by the Secretary of Commerce of IFQs and CDQs for the halibut and sablefish fisheries, it was on the basis of an administrative process involving extensive debate and intensive analysis. The Council had considered an array of possible management responses to conservation, social, and economic factors at work in the then open access fisheries. These factors were identified, as follows:

- ? Allocation conflicts;
- ? Gear conflicts;
- ? Fishing mortality and other costs due to lost gear;
- ? Bycatch loss of halibut and sablefish in other fisheries;
- ?????Discard mortality for halibut and other retainable species in the halibut and sablefish fisheries;
- ? Excess harvesting capacity;
- ? Product quality, as reflected in halibut and sablefish prices;

- ? Safety of fishermen;
- ?????Economic stability in the fixed gear halibut and sablefish fisheries and affected communities; and
- ? Rural coastal community development of a small boat fishery.

The Council ultimately determined that the IFQ system would be the best management response to these factors. The Council also decided that CDQs would provide a useful economic boost to Alaskan coastal communities.

**Allocation Conflicts**

Allocation conflicts between the operators in the halibut/sablefish fisheries generally were found in skirmishes involving halibut. Prior to implementation of the IFQ program, the allocation issues centered around manipulations of when specific area openings would take place in order to advantage or disadvantage various groups.

In the Bering Sea/Aleutian Islands area, there evolved a series of complex clearing procedures designed to make it more inefficient for non-Alaskan-resident-operated vessels. This included such regulations, in the Pribilof Islands area, as constraining trip limits and a requirement that non-resident vessels deliver to Dutch Harbor. This, of course, gave the local fishermen additional fishing time. Similar clearing requirements were established for the Eastern Bering Sea, Area 4E, and the area known as Area 4B in the Aleutian Islands.

The annual meetings of the International Pacific Halibut Commission ("IPHC"), were prolonged for hours on the question of precisely when to have the spring and fall 24-hour halibut openings. Some of the issues that drove this debate were as follows: Were the Canadian or the United States fishermen going to open first to get an advantage on price; would the spring opening conflict with the spring herring fishery in southeast Alaska; would the openings conflict with western peninsula salmon seasons; would openings occur during big tides; would openings put product at the docks in Alaska at the right time for the Sea Land ships; would the fall opening conflict with the State of Alaska sablefish openings; and would the opening conflict with the Russian Orthodox holidays?

None of those issues, which were debated with emotion and zeal, has arisen since the implementation of the IFQ program. When the IFQ program was adopted, the onerous clearing requirements and trip limit regimes in the Bering Sea district were removed (though there are still clearing requirements they are not of an allocative nature). Former Governor of Alaska, Walter J. Hickel, correctly observed of the IFQ program, "Ultimately the free market decides." Letter from Walter J. Hickel to Bob Alverson, August 27, 1997. All of the concerns of when to fish or not to fish that the industry and fisheries managers debated at length prior to implementation of the IFQ program are now the business decisions of each and every vessel owner, subject to overarching conservation and management regulations.

**Gear Conflicts**

The supplemental environmental impact statement ("SEIS") for the halibut/sablefish IFQ program stated:

> Although an IFQ program will tend to decrease gear conflicts within the halibut and sablefish fishery, it may increase gear conflicts between halibut or sablefish fishermen and other fishermen by increasing the areas and length of periods in which such conflicts can occur. For example, it is less costly for trawlers to avoid the halibut grounds during brief halibut openings than to avoid these areas most of the year. Similarly, the areas and times with a high risk of gear conflicts are easier to identify and avoid with the current intensive halibut fishing periods than with an IFQ program. No attempt has been made to estimate the magnitude of this effect. SEIS, page 2-7.

Halibut fishermen no longer have gear conflicts with sablefish fishermen. The best sablefish grounds are usually located on the outer continental shelf, or at about 350 to 600 fathoms. The halibut fishery is conducted generally between 100 and 250 fathoms. The IFQ fishery allows the participants to target where the fish are located. The time available for the fishermen to decide where and when to set gear allows avoidance of other fishing operations, particularly now that the grounds for halibut and sablefish are no longer saturated with gear.

The statement, "it is less costly for trawlers to avoid the halibut grounds during the brief halibut openings, than to avoid these areas most of the year", is ironic, because the reverse has turned out to be the case. It is very costly for trawlers to avoid halibut grounds, because the trawl groundfish seasons have become very short. This is particularly true in the Gulf of Alaska. Should trawlers inadvertently get into a school of halibut or area where halibut gear is set, the trawl fishermen do not have the time to make optimum adjustments. If the trawlers had the time

to make those adjustments, the bycatch and potential gear conflicts could be further reduced.

As it stands, now, the longline IFQ fishermen have adequate time to harvest their quota shares and can avoid most of the intense trawl activity. In fact, the Pacific cod fishery in the Gulf of Alaska has been shortened, so that it ends about the time the March 15th IFQ fisheries start, with the result that few, if any, gear conflicts have been occurring with that directed fishery.

The openings set forth below were provided the trawl fleet in the Gulf of Alaska during 1995 and 1999. One can easily see that fishing time is now at a premium to the trawl fleet, as it was to the halibut and sablefish fishermen prior to the IFQ program. The loss of fishing gear, particularly someone else's, becomes a low priority, when fishing time becomes a high priority.

1995

| | | |
|---|---|---|
| Pacific Cod | Western Gulf | January 20 to March 17 |
| (inshore) | Central Gulf | January 20 to March 22 |
| Pollock | Western Gulf | January 20 to February 2 |
| | | June 1 to June 2 |
| | | July 1 to July 2 |
| | | October 1 to October 1 (12 hours) |
| | Central Gulf | January 20 to January 24 |
| | | June 1 to June 5 |
| | | July 1 to July 5 |

October 1 to October 4

S.E. Alaska Pacific Ocean Perch July 1 to July 9

Plus two days in October

| 1999 | Sector | Area | in the Gulf of Alaska |
|---|---|---|---|
| Pacific Cod (Trawl) | Inshore | 610 | Opened 1/20/99 Closed3/8/99 |
| | Inshore | 620&630 | Opened 1/20/99 Closed 3/14/99 |
| | Offshore | 610 | Opened 4/18/99 closed 6/7/99 |
| Pollock (Trawl) | Inshore | 630 | Opened 1/20/99 closed 1/27/99 |
| | Inshore | 610 | Opened 1/20/99 closed 1/31/99 |
| | Inshore | 620 | Opened 1/20/99 closed 2/17/99 |
| | Inshore | 640&650 | Opened 1/20/99 closed 3/6/99 |
| | Inshore | 610 | Opened 6/1/99 Closed 6/7/99 |
| | Inshore | 630 | Opened 6/1/99 Closed 6/10/99 |
| | Inshore | 620 | Opened 6/1/99 Closed 6/11/99 |

In summary, the SEIS predicted fewer gear conflicts, and this has proved correct. **The SEIS' prediction of IFQ harvesters experiencing, among themselves, gear conflicts, has not proved accurate.** This is largely because sablefish and halibut operations take place at different depth strata, and because of the eight months of fishing time, halibut harvesters can

afford to communicate with their fellow fishermen and avoid each others' gear. The same applies for sablefish harvesters. The conclusion of the SEIS about trawlers has turned out to be just the reverse of actual experience. The trawl derbies have increased the trawlers' cost of avoiding gear conflicts.

The initial reports to the Pacific and North Pacific Councils on the operation of the whiting and pollock cooperatives indicate that the resulting reduction of capacity has favorably affected the fisheries by slowing the race for fish. Particularly helpful benefits should include reduction of bycatch and gear conflicts.

**Fishing Mortality and Other Costs Due to Lost Gear**

The SEIS correctly predicted the following with regard to gear loss and related fishing mortality:

> There are several reasons why an IFQ program is expected to decrease gear losses and the associated costs. First, it would reduce the amount of gear that is on the grounds at any one time, and therefore, reduce the amount of gear that becomes tangled. Second, it would increase the willingness of fishermen to take more time to avoid tangling gear and to retrieve lost or tangled gear. It would do so by decreasing the opportunity cost of the time required either to set gear so that it is less likely to become tangled or to retrieve it. Third, it would eliminate the current gear losses that occur because fishermen set more gear than they can retrieve before the end of the brief halibut openings. Finally, it would allow fishermen to fish at a pace and in areas, time periods, and weather conditions that decrease gear losses." SEIS, page 2-6.

The SEIS stated, "There are principally two types of costs associated with gear losses in the halibut and sablefish fishery. There are (1) cost of replacing lost gear, and (2) harvest forgone due to the fishing mortality caused by the lost gear." *Id.* The SEIS estimated that, in 1990, 1,860 skates of gear and two million pounds of halibut were lost. *Id.*

In its annual reports, under the category of waste, the IPHC includes the mortality of halibut due to lost gear in the IFQ fleet. In the 1994 Annual Report, waste was recorded at 2.85 million pounds. The 1995 and 1998 Annual Reports recorded waste as 1.0 and 1.9 million pounds, respectively. This represents a 48% average reduction in waste, or an annual savings of approximately 1.4 million pounds of halibut from 1994. This compares impressively with the 50% saving predicted by the SEIS. Based on the 1999 Seward, Alaska price for halibut (approximate average, $2.44/lb), the saving due to reduced waste is approximately $3.36 million.

The lost fishing gear in the halibut derbies was primarily the result of 4,000 to 6,000 vessels setting their gear all at the same time, and the gear becoming entangled. Gear lost in this manner is a thing of the past. The SEIS estimated the value of lost gear at $2.0-$2.4 million per year in the halibut derbies. SEIS, page 2-6. Under the IFQ program, the vessels share the grounds over an 8-month season. Gear still can be lost due to the normal hang-up on the bottom, but there are no longer large amounts of gear lost due to gear conflicts.

There has also been a savings in the amount of gear purchases for each vessel each

season. It was not uncommon for vessels to pre-bait and set 80 to 130 skates of gear during a 24-hour derby opening. Vessels are now fishing with 50 to 70 skates of gear. Additionally, the vessel operators, prior to IFQs, used two different types of gear--one for halibut and one for sablefish. Many harvesters are now using their sablefish gear to harvest the halibut quotas, further reducing gear-related costs to the fleet. The SEIS predicted a 50% reduction in gear needed to harvest the same amount of fish. SEIS, page 2-7.

The open access sablefish fishery had similar problems with lost gear, however, the SEIS did not quantify the loss. It is reasonable to conclude, based on the halibut experience, that the lengthened sablefish seasons under the IFQ program have also resulted in lower gear losses and associated resource mortality than prevailed in the open access fishery.

In summary, there has been at least a 48% reduction in waste of halibut recorded by the IPHC, with a net benefit of $3.36 million annually to the fleet. The IFQ program has resulted in much less gear being set to harvest the quota.

**Bycatch Loss of Halibut and Sablefish in Other Fisheries**

The Magnuson-Stevens Act provides, "Conservation and management measures shall, to the extent practicable, (A) minimize bycatch and (B) to the extent bycatch cannot be avoided, minimize the mortality of such bycatch." 16 USC 1851(a)(9).

Congressional interest and intent with respect to bycatch reduction was clearly reflected

in the Senate and House Floor debates in the 104th Congress. Senator Stevens declared that, "Under S.39 [Sustainable Fisheries Act], the councils will¼be required to reduce the amount of bycatch in every fishery around our country." *Congressional Record,* September 18, 1996 at S10810. He also stated, "We thought Americanization would go a long way toward conserving the fishery resources of this Nation. Foreign vessels have now given way to U.S. vessels that are capitalized now far beyond what we ever envisioned in the seventies, and the fisheries waste continues to get worse in many areas." *Id.* Senator Murkowski stated, "This will put us on the road to stopping the shameful waste that is currently occurring in many fisheries." *Id.* at S10820. Senator Gorton remarked, "¼I join my colleagues in lauding those provisions that aim to reduce waste and bycatch in the fisheries¼." *Id.* at S10814.

On the House Floor, Congressman Young, principal author of H.R. 39 (companion bill to S.39), and chairman of the committee of jurisdiction, stated, "The reduction of bycatch in our fisheries is one of the most crucial challenges facing fisheries managers today." *Congressional Record,* September 18, 1995 at H9116. On passage of S. 39, he stated, "¼the bill recognizes that bycatch is one of the most pressing problems facing the continuation of sustainable fisheries¼." *Congressional Record,* September 27, 1996 at H11438.

Prior to the implementation of the IFQ program for sablefish and halibut, the length of the seasons had shortened to a point of causing chaos. The sablefish fishery had collapsed from a 9-month season to a less than a 10-day fishery in the western Gulf of Alaska, and to a five-

day season in southeast Alaska.

By 1994, the halibut fishery had become two 24-hour openings, one in the spring and one in the fall. In the mid-1970's, the halibut season had been nine months. By the 1990's, when fishermen harvested sablefish, they were required by regulation to throw away their incidentally caught halibut, and during the halibut derbies, the fishermen were required to throw away the incidentally caught sablefish. The mortality associated with this regulatory bycatch was deducted from the available commercial harvests.

The IPHC recorded the halibut mortality in the directed sablefish fishery by the use of the observer program. The average halibut mortality in the longline sablefish fishery for each of the five seasons preceding the IFQ program was 1,816,000 pounds. The bycatch mortality, after the IFQ program was implemented in 1995 was recorded at 297,000 pounds. This represented an 84 percent reduction in halibut mortality, or a reduction of 1,519,000 pounds annually. There have been no updates on this in the NMFS database since 1995, but there is no reason to expect that the experience has changed since then.

The reduction resulted from a variety of several factors. Two of the more important ones were: 1) the fishery slowed down, and juvenile halibut were able to be released with better care, and thus with lower mortality; and 2) the adult halibut were allowed to retained and counted against the quota. (Juvenile halibut are not allowed to be landed; they are defined as being less than 32 inches long.)

Similar information is not available to quantify what has taken place with incidentally caught sablefish. The directed halibut fishery is generally conducted in a shallower habitat than that in which the sablefish are usually found, so the numbers of sablefish saved in the halibut fishery would probably not be as great as the numbers of halibut saved in the directed sablefish fishery. (The deep-water sablefish habitat does, however, have substantial numbers of halibut in the late winter and spring.) The important point is that the fleet is now landing incidentally caught sablefish. That was not the case prior to the IFQ program.

The reduction in halibut mortality in the directed sablefish fishery of 1,519,000 pounds represents approximately a $3.2 million gain to the longline fishermen, assuming an average 1997 price of $2.10 per pound. As noted above, prior to the IFQ program, this now-retained bycatch was discarded and deducted from what might be available for commercial harvest.

There has been an additional saving to the longline fleet with the implementation of the IFQ program. Prior to 1995, the longline sablefish fishery operated in the Gulf of Alaska with a halibut cap of 700 metric tons. Once this bycatch mortality was accounted for, with the help of the observer program, the directed sablefish fishery was closed. This had the effect in the western Gulf of Alaska, and at times the central Gulf of Alaska, of stopping the harvest of sablefish, in order to protect halibut. The ability under the IFQ program to keep the sablefish fishery open in the Gulf of Alaska in each of the years, 1995, 1996, 1997, 1998, and 1999, has allowed for the western Gulf of Alaska harvest level to be fully achieved, and the central

Gulf quota to also be harvested. For 1997, in the western Gulf of Alaska, the harvestable amount of sablefish quota shares amounted to 1,690,222 round pounds, representing an additional $3.93 million to the fleet. (Price $3.70/dressed, 63% recovery.)

In summary, the IFQ program has allowed the fleet to recapture the lost harvest of halibut that was occurring due to sablefish operations. This gain amounts to an average of $3.2 million annually since the inception of the IFQs. The program additionally allows for the full harvest of sablefish in the western and central Gulf of Alaska, providing an average annual gain of $3.93 million.

Janet Smoker of Fisheries Information Services ("FIS") completed a review of the IFQ directed sablefish fishery in the Gulf of Alaska relative to the retention of various species caught incidentally. The FIS report examines the 1994 season against the IFQ seasons of 1995, 1996, and part of 1997. The following conclusions were based on the North Pacific Fishery Management Council's observer program.

While conducting a directed fishery on sablefish, some of the target catch is discarded. The retained sablefish has always been high, according to the report. The retained sablefish in the directed longline fishery for sablefish during 1994 was 96.8% (a number that is hard to improve upon), and during the 1995, 1996, and 1997 seasons averaged 97.03%.

One observation concerning the small difference in retained bycatch between the open access period and the IFQ fishery is that there has been very little "high grading" in the IFQ fisheries, indeed, less than in the pre-IFQ fisheries. High grading had been a concern with

respect to the IFQ program, when it was under development.

The SEIS noted several very important points relative to this subject. Vessel profit would increase 6%, if sablefish under 4 pounds (eastern dressed weight) were discarded, but in so doing the number of fishing days would increase 70%. SEIS, page 2-14. The fishermen would have made more money, but would have worked many more days.

As noted above, the observer statistics compiled by FIS, which indicate a 97.03% retention of sablefish, suggests that the SEIS was accurate. High grading, which means catching the fish at least twice, is not economical.

The FIS report also indicates that the directed sablefish fishery during the 1994 season was retaining 75.5% of all groundfish, inclusive of sablefish that was being caught. The next three seasons under the IFQ program increased the total groundfish retention to 84.9% of all groundfish species. Discards of groundfish declined from 24.5% of the catch to an average of 15.03% of the catch, representing a 39% reduction in discarded groundfish.

The retention of groundfish, not including sablefish, increased from the 1994 season level of 25.7% to an average of 34.6 percent during the 1995, 1996, and 1997, seasons. This represented a 35% increase in groundfish retention, not including sablefish.

The halibut discards that occur during the directed sablefish fishery have gone from 21.1% in 1994 to an average of 13.03% during the 1995, 1996, and 1997, seasons. This represented a 38% decline in halibut discards. Discards of halibut under the IFQ program in the directed sablefish fishery are largely halibut that are less than the legal size for retention.

The discards of rockfish and Pacific cod in the IFQ fisheries are significantly the result of the rockfish and cod quotas being achieved during the race for fish in those fisheries, which then result in regulatory discards for the remainder of the year for IFQ fisheries. The majority of groundfish discards in the IFQ fisheries are flounders and skates, for which markets have not yet been adequately developed.

In summary, according to the cited evidence and analysis through 1997, the retention of sablefish has remained in the 97% range suggesting very little, if any, high grading. The discards of groundfish in the directed sablefish fishery reduced 39%, for a 84.9% retention of everything caught. The fish currently discarded are primarily skates and flounders for which markets are not available. The halibut discards in the sablefish fishery declined 38%. The IFQ program has, therefore, helped reduce bycatch significantly. Data for 1998 and 1999 are not available.

**Excess Harvesting Capacity**

The SEIS made a number of comments with regard to excess harvesting capacity. "The fact that there are too many vessels has been identified as a problem." SEIS, page 2-52. "The Council has considered the introduction of a quota system as a means to enable vessels to leave the industry to receive some recompense through the sale of quota shares for so doing." *Id.* "It is hoped that following introduction, transfer of quotas will lead to less efficient vessels leaving the industry." *Id.*

In 1994, the number of vessels participating in the sablefish fishery opening numbered 1,139, and in the halibut fishery, 3,450. The number of vessels participating in the sablefish fishery in 1995, 1996, 1997, and 1998, were 517, 503, 504, and 449 respectively. The corresponding numbers of halibut vessels were 2,057, 1,962, 1,925, and 1,601. RAM Report, NMFS, 1999, page 27.

The reduction of vessels as envisioned by the SEIS is working and is being accomplished without any federal buy-back assistance. The fleet is using the equity value of quota shares to buy itself out. The FVOA estimates that, in order for the Federal Government to have achieved a fleet reduction in the halibut fishery from 3,450 vessels in 1994, to 1,601 in 1998, a reduction of 1,849 vessels, it would have cost at least $172,432 for each vessel and its potential harvest of fish. This means that the halibut fleet has self-rationalized itself in the amount of $318,822,000 ($172,432 x 1,849 vessels) in four years, without any federal assistance.

There are no mechanisms comparable to IFQ's in terms of cost effectiveness in reduction of a fleet. The taxpayer cost of one New England buy-out was $23 million, and the impact was minimal.

One of the options the North Pacific Fishery Council seriously looked at, when it was considering whether to adopt IFQs for the halibut fishery, was a license limited entry program that would have reduced the halibut fleet from 5000 vessels to less than 1000 vessels. This option would have provided no compensation to the 4000 vessel operators eliminated from the

fishery, and accounts, in large part, for the adoption of the IFQ alternative.

**Product Quality, as Reflected in Halibut and Sablefish Prices**

The SEIS made numerous predictions regarding the expected effects on product quality, the availability of fresh halibut, and ex-vessel prices. One of the primary goals of the IFQ program was to provide high quality fresh halibut on a continual basis. The 24-hour openings in the derby fisheries limited the ability of fishermen and processors to provide fresh halibut to brief periods of the year, and to very few customers. For example, the Hotel Captain Cook, in Anchorage, Alaska, had to import fresh halibut from Canada to supply its customers, even though Alaska produced more halibut than did any other place in the world. "I mention the Crow's Nest Restaurant in the Hotel Captain Cook, which has a reputation of serving nothing but fresh halibut. Prior to IFQs, most of the year we flew fresh halibut in from Vancouver." Letter from the Honorable Walter J. Hickel to Mr. Bob Alverson, August 27, 1997.

The SEIS had the following specific expectations with regard to the IFQ program. First, the program would provide the flexibility in scheduling landings that is necessary for fishermen and processors to take advantage both of the latent year round market for fresh halibut and the seasonal consumption patterns for sablefish, and to decrease storage time and costs for the halibut and sablefish that are frozen. Second, the program would increase the

quality of landed halibut and sablefish, by decreasing the opportunity cost of the time required to assure that the catch is quickly dressed and cared for. Third, the program would eliminate the brief, intensive openings that result in such large concentrations of landings that unloading and processing delays can decrease product quality and prices. SEIS, page 2-4.

Flexibility in scheduling landings to take advantage of a year-round market for fresh halibut and seasonal consumption patterns is evident from the IPHC monthly landing reports for the 1995 through 1998 seasons. RAM Report, NMFS, 1999, page 12. The fleet has spread its landings over the entire time provided, all eight months. This has allowed the fresh fish market to absorb approximately 75% of the harvest. The initial forecast by the SEIS was 50%. SEIS, page 2-5.

With regard to storage costs and savings, the SEIS stated, "If 75 percent of landings currently are frozen and if an IFQ program would result in only 50% being frozen, the cost savings in 1990 would have been $4.2 million ($0.32 per lb. X 25% of 52.6 million lbs.)." SEIS, page 2-5. With 75 percent of the harvest now going to the fresh markets, cold storage saving in terms of 1990 dollars is $9.8 million. ($0.32 per lb. X 50% of 61,200,000 lbs (1999 quota)). This saving thus is over twice that forecasted by the SEIS. Additionally, in terms of product quality, the SEIS assumed, on average, that halibut was frozen 6 months a year. This is no longer the case, and the quality is, therefore, higher than anticipated.

The SEIS stated, “The price increase for sablefish is expected to be less than for

halibut, because the potential benefits from the fresh fish market are probably less for sablefish". SEIS, page 2-5.

The SEIS greatly underestimated the Japanese frozen market for sablefish, and the marketing advantages that IFQs gave U.S. fishermen, in terms of negotiating leverage in this foreign market. (Harvest guidelines have decreased as well, which has put an upward pressure on prices.) Japan consumes over 97 percent of the U.S.- and Canadian-harvested sablefish. Since the establishment of the IFQ program, the sablefish price has steadily increased. The 1997 average price to fishermen would conservatively be estimated at $3.70 per dressed pound. The NMFS assumes a 63 percent recovery rate between dressed and round sablefish, therefore in terms of round weight, the price would be $2.33 per pound. The 1999 dressed weight price in Alaska averaged approximately $3.10 per pound, reflecting the recent recession in Japan.

The SEIS estimated that the round pound price for sablefish would increase $0.05. That document stated, "In 1991, this would have been a $0.05 per pound round weight increase in the ex-vessel price or about a $2.8 million dollar increase in ex-vessel value." SEIS, page 2-5.

The price for dressed sablefish in 1991, based on the SEIS, was $1.59 per dressed pound or $1.00 per round pound. The 1997 round price of $2.33 converts to a 1991 price of $1.98, using a consumer price index regression of .849. In terms of 1991 dollars, the IFQ program added $0.98 per round pound to the price of sablefish. In terms of the allocated 1997

quota shares, the added value to the resource is $29,629,207, in 1991 dollars. ($0.98 x 30,233,885 1997 round pounds) The prediction of a $2.8 million gain, therefore, was very greatly underestimated. In terms of revenues to the State of Alaska, under the 3.3% raw fish tax, the gain has been $957,000 per year on the average, through 1997.

With respect to halibut the SEIS predicted the following: "In summary, it is estimated that an IFQ program would increase halibut ex-vessel prices by $0.04 to $0.68 per pound. Given the 1990 landings of 52.6 million pounds, the resulting increase in the ex-vessel value of the fishery would have been from $2.1 million to $35.8 million." SEIS, page 2-5.

The SEIS used a 1990 value for halibut at $1.78 per pound. The prices for halibut since the IFQ program was initiated in 1995 have been in the $1.90 to $2.40 range in the Seward Alaska area. Prices in the Seattle area are generally 35 to 60 cents above Seward prices, largely reflecting transportation costs. Assuming an average price for 1997 of $2.25 per pound, and using a consumer price regression of .814, the 1990 value would have been $1.83 per pound. Hence the added ex-vessel value to the industry in terms of 1990 dollars is approximately 5 cents. This would mean an added ex-vessel value to the fishermen of $2.5 million. Consequently, although there has been, in fact, an increase in price paid to the fisherman, the amount has been at the lower end of the prediction.

It should be noted, however, that this value may be somewhat misleading, in that the halibut industry has completely changed since the implementation of the IFQ program. There are

no more long lines of fishing vessels waiting to deliver halibut. Processors no longer have product stacked on their processing floors for days at a time because freezers are too full. Prior to the IFQ program, containers of frozen halibut were transshipped to the Seattle area for redistribution. Now, significant amounts of halibut are air freighted out of Anchorage, Alaska. There has been an added cost in air transportation to get good quality fresh fish to distant markets, which does not readily appear as an additional value when only looking at the price the fishermen receives. There are new businesses in air-freighting as well as long-haul trucking out of Anchorage that were not envisioned prior to the IFQ program.

The industry has been revolutionized, and the most important quality aspect for halibut of the new system is shelf life. The better the quality at the boat, the longer the fresh fish can be available to consumers. The need for good quality to ensure shelf life for halibut now is the driving force on prices paid to the harvesters. A letter from Dory Seafoods states:

> The majority of the high quality buyers want to know when was the fish caught and how old will the oldest fish be when it is received in the market place. Many buyers will not buy old fish, or if given a choice, they will pay more for fresher fish with a longer shelf life.
>
> I believe the overall quality has improved on air shipments out of Alaska. The fishermen have more time to dress, ice and take care of the product on board the fishing vessels. In addition, the processing plants are receiving smaller quantities per day and, in most cases, are able to ship the product out the same day as received. As a result, the halibut is handled much quicker and received in the market place in better shape than in pre-IFQ years. [Letter from Dory Seafoods to Robert D. Alverson, August 28, 1997.]

There have been complaints from several shore-side processors that they are not doing well under the IFQ program. It is clear that the raw product cost has not changed very much for

halibut from the 1990 prices. It is also evident that the frozen market nature of sablefish makes all ports competitive for sablefish. More importantly, as shown below, the landings per port have not changed materially. What the fishermen do notice is that those processors that have available to them good and reliable transportation, either air or long-haul trucking routes out of such locations as Anchorage, seem to be very competitive for halibut. Those who have chosen as a business decision not to be active in fresh fish marketing probably have lost market share. Processors in western Alaska and the Dutch Harbor area have some access to the fresh markets, but with more difficulty. In these areas, the landed halibut generally reflects a frozen product price. In the case of sablefish, the product must be frozen for export to Japan, and therefore, all Alaskan ports with freezer capacity should be able to participate in that fishery.

Sablefish is unique, in that the final destination is Japan or other Asian markets. Sablefish has very few fresh fish sales. The nature of the flesh quality and high oil content make it necessary to freeze the product. The distribution of sablefish before and after IFQs were implemented can be seen in the RAM reports. There has not been any significant change in landings to particular ports of call. NMFS 1999 IFQ Report.

In summary, it is evident that quality has improved and halibut is now available fresh throughout an 8-month period. Some of the additional values to the fishermen, considering some of the predictions of the SEIS, are $8.2 million in annual average savings in cold storage costs for halibut; $2.5 million of additional annual average ex-vessel value of halibut; and $29 million

in added annual average export value of sablefish.

The SEIS discussed savings in gear, food, bait, and fuel costs to the fleet. That analysis estimated annual savings of $1.8 to $2.5 million for food; $3.1 to $4.0 million for fuel; $20.0 to $28.0 million for opportunity cost of labor, and $9.2 to $11.7 million for fixed costs. This statement does not attempt to quantify these actual savings, although they have materialized in all of these categories. These savings and additional values to the fleet have resulted in at least a $75 million net average annual benefit to the industry.

**Safety of Fishermen**

The Magnuson-Stevens Act provides, "Fishery management measures shall, to the extent practicable, promote the safety of human life at sea." 16 USC 1851(a)(10).

Senator Patty Murray stated during the Senate Floor debate on S. 39, the Sustainable Fisheries Act:

> This race for fish creates serious safety considerations in many fisheries. Under this race, fishers feel compelled to keep fishing even when the weather or conditions of the vessel or health of the captain or crew would suggest otherwise. Unless fishery management plans provide opportunities and incentives for fishers to sit out storms and return to port for repairs or medical attention, lives will continue to be lost¼
>
> For this very reason we included promotion of safety of life at sea in the National Standards of the Magnuson Act. [Congressional Record, September 18, 1996 at S10818.]

The SEIS stated:

> An IFQ program is expected to increase vessel safety by reducing substantially the incentive fishermen have to disregard factors that increase the risk of accidents.

> However, due to a lack of reliable data and methodological problems, it is hard to provide quantitative estimates on the linkages between vessel safety and other factors, such as management practices. [SEIS, page 2-3.]

In the recently released book, Fishing Vessel Safety, Blueprint for a National Program, the National Research Council noted that commercial fishing has one of the highest fatality rates of any occupation and that safety has largely gone unregulated. Page 142. While attributing a large portion of the safety issues to the vessel (e.g., its structure, equipment, and crew), the authors did consider fishery management practices to be one of three major external influences on vessel safety. Page 131. Allocation conflicts have "resulted in a highly competitive operating environment in which fishermen may take unnecessary risks to maintain their livelihood". Page 132.

In addition to its enforcement responsibilities, the Coast Guard monitors safety at sea, and reports that, during the 1998 IFQ season, there were 11 search and rescue missions undertaken (fifteen in 1995, seven in 1996, and nine in 1997). There were no sinkings in 1998 (four in 1997, two in 1996, and two in 1997), and two lives lost (none in 1995, two in 1996, and one in 1997). In the three years prior to the IFQ fishery, there were an average of 28 SAR missions, two vessel sinkings, and two lives lost during the short derby seasons. **Three of the deaths have occurred while the vessels were moored in harbor. Only one death has occurred during heavy weather.**

**Economic Stability in the Fixed Gear Halibut and Sablefish Fisheries and Affected Communities**

The Magnuson-Stevens Act provides:

> Conservation and management measures shall, consistent with the conservation requirements of this Act (including the prevention of overfishing and rebuilding of overfished stocks), take into account the importance of fishery resources to fishing communities in order to (A) provide for the sustained participation of such communities, and (B) to the extent practicable, minimize adverse economic impacts on such communities. [16 USC 1851(a)(8).]

Although the establishment of the IFQs and CDQs for halibut and sablefish predated this provision of the Magnuson-Stevens Act, the Council and the Commerce Department took into account community interests in designing these management programs. The Commerce Department, in approving the IFQ program, recognized that the open entry fishery for halibut and sablefish had created an extreme excess of capital investment. The Department observed that the excess capital was causing instability and uncertainty in the fishery. The SEIS states, "However, once the adjustments are made, IFQs would decrease uncertainty and increase the ability of fishermen and processors to plan their participation in the halibut fishery." SEIS, page 2-13.

> Of the 7,992 different vessel owners who participated in the halibut fishery between 1984 and 1994, 38% did so for only one year while only 9% participated all seven years. It is estimated that 1,443 vessel owners participated in the fixed gear sablefish fishery between 1985 and 1990. Of these, 45% participated in only one year and only 6% participated all six years. [*Id*.]

This is the case in terms of both short and long-term planning. In areas with only a few

> very short openings, if a vessel breaks down, a fisherman might miss all or a substantial portion of the season. Likewise, increased fishing effort does not allow processors to plan for consistent or orderly processing. The short-term discontinuities make planning difficult. [SEIS, page 2-12.]

> A further benefit of quota systems is deemed to be the degree of certainty given to participants upon which to base their investment and fishing decisions. It is argued that if people are aware of the quantity of fish available to them that they will be able to make soundly based decisions about the future. [SEIS, page 2-54.]

The vessel owners are now able to fish and time their operations, not only around bad weather, but also with a view to market opportunity, so they can efficiently operate in other fisheries that may otherwise have been unavailable to them because of brief, fixed season openings. Prior to the IFQ program, thousands of vessels had two, one-day earning opportunities. Today, earning opportunities, through consolidation, are creating stability within the harvesting sector. Stability has been enhanced by the constraints on quota share concentration, through the use of ownership caps, vessel caps, and vessel classes. These were designed to prevent too great an accumulation of quota share ownership by individuals in the fleet and to ensure processors an adequate number of harvesting vessels. Ownership caps and vessel cap limits are cited in the RAM report, 1999, page 25.

The SEIS stated that, under the IFQ system, people would be able to make sound business decisions about their future. The system was designed to encourage transfers of quota within certain limits. It was designed to encourage an owner-operated fleet. This was provided by requiring new purchasers of IFQs to be on the vessels when the quota shares were being

fished. It is clear that the program is functioning as designed. The owner-operator provision is providing stability for crews and vessel owners who work on deck.

Some members of FVOA have chosen to sell, and others have chosen to purchase, quota shares. The results are that for those who have chosen to purchase, the owners and the crews are earning more. Those who have sold out have received some compensation for their past investment and efforts. The crews that have been displaced to date are those who were participating in two, one-day jobs. The SEIS states on this issue, the following, "In considering the employment effects of an IFQ program, it should be remembered, that many fishermen take a break from other fishing or non-fishing activities to participate in the halibut fishery. Therefore, their alternative to participation in the halibut fishery is not unemployment." SEIS, page 2-10. However, the IFQ fisheries are becoming attractive as full or near full time employment opportunities.

In terms of stability for the local communities, there have been some claims that the IFQ program has adversely affected the ports of Kodiak and Dutch Harbor. The 1997 IPHC Annual Report list by port the halibut landings as follows:

| | | | |
|---|---|---|---|
| 1. | Kodiak | 20% | 9,103,000 |
| 2. | Homer | 12% | 5,242,000 |
| 3. | Seward | 9% | 3,876,000 |
| 4. | Dutch Harbor | 6% | 2,855,000 |

| | | | |
|---|---|---|---|
| 5. | Sitka | 6% | 2,800,000 |

The RAM September 1997 report, page 50, shows that, in 1995 and 1997, the top five halibut ports remained the same as in 1994, and the percentage of landings was similar.

With regard to sablefish, the SEIS did not provide analysis similar to that for halibut, however, in looking at the 1990 data provided in that document, four of the top five districts are still in the top five for landings, when compared to the 1997 September RAM report, page 50.

| | | | |
|---|---|---|---|
| 1. | Wrangel, Petersburg | 7,121,000 Lbs. | 26% |
| 2. | Sitka borough | 6,131,000 Lbs. | 22% |
| 3. | Seward Borough | 4,302,000 Lbs. | 15% |
| 4. | Juneau Borough | 2,481,000 Lbs. | 9% |
| 5. | Kodiak Island Borough | 2,134,000 Lbs. | 8% |
| 6. | Aleutian West Borough | not available | |

The IFQ program was designed to have a minimal impact on communities, by preventing a massive redistribution of landings. This was accomplished significantly with the three-year qualification period of 1988, 1989, 1990, where there had to be a landing to qualify for any poundage in one of these years. This helped ensure that quota holders were still active and operating in the same location as was historically the case. Clearly, this has been accomplished as shown by the hard evidence of landing reports. An argument of economic

disadvantage to Kodiak or Dutch Harbor based on IFQ poundage being delivered elsewhere cannot be substantiated.

The instability of these communities is most likely the result of the remaining pulse-type groundfish fisheries. The fishermen in the Kodiak area have three, three-day pollock openings; Pacific cod has barely a two-month operation. The landings in Kodiak were down between 1995 and 1996 by 160 million pounds; none of this reduction could be attributed to the IFQ program. In 1997 and 1998, Kodiak landings rebounded to 277 and 362 million pounds, respectively. This reflected increases of salmon landings. Fisheries of the U.S. 1998, NMFS

Similarly, landings in Dutch Harbor were reduced by 105 million pounds between 1995 and 1996. The argument that this was due to the IFQ program is similarly insupportable. It was due to a reduction in pollock landings. The landing in 1997 and 1998 were 587 and 597 million pounds respectively, which are still 100 million pounds below 1995 levels. This is all due to pollock landings, not IFQ halibut or IFQ sablefish. *Id.* The 1999 RAM Report, pages 13 and 14, show the same ports in the top 10 as in previous years for halibut and sablefish.

**Rural Coastal Community Development of a Small Boat Fishery**

The SEIS made the following statements and conclusions regarding rural coastal community development of a small boat fleet:

> The Council wished to enhance the opportunities for rural coastal communities to participate in the sablefish and halibut fisheries. It was in pursuit of this objective that the western Alaska community development program was inserted into the preferred

alternative. [SEIS, page 2-55.]

> Opportunities for small communities will be enhanced by having portions of total allowable catches set aside. [*Id*.]
>
> Many of the constraints imposed on transferability have been introduced to preserve a small boat fishery for sablefish and halibut. [*Id*.]

The community development quota program was specifically set up for western Alaska rural communities. The CDQs for 1999 amounted to 2,610,000 dressed pounds of halibut. In the halibut regulatory areas of 4C and 4E, all of the CDQ quota, 1,400,000 pounds, was harvested and landed by the local community.

The ex-vessel value of CDQ-landed halibut was approximately $5,200,000 (Dutch Harbor price, $2.00). The CDQ halibut quotas thus are a significant benefit to the coastal community of western Alaska and the small vessels which operate out of those communities.

The Gulf of Alaska's small boat fleet vessels, less than 35 feet in length, have a secure position in the fisheries. Poundage earned by initial recipients is safeguarded permanently in their vessel length category.

The small boat fleet has been additionally enhanced with recent regulatory amendments that allow quota share holders operating small vessels to buy quota from larger vessel classes and fish that quota on the smaller vessels. IFQ holders operating larger vessels cannot use smaller vessel class quota on their larger vessels. This new provision gives smaller vessels, which tend to operate close to shore, more purchasing opportunity.

As noted above, the 1996 amendments to the Magnuson-Stevens Act provided for a government loan program funded, in part, from landing fees of the IFQ participants. 16 U.SC. 1853(d)(4). Those who can apply for the loans are fishermen with little or no holdings of IFQs. The amount per loan is limited to about 8,000 lbs. of resource, and anyone holding or controlling 50,000 lbs. or more of quota is not eligible for the loans. Congress chose to help out the crews and those fishermen looking for upward mobility in the industry. This program should help rural citizens who have few cash-generating industries.

However, I cannot leave this subject without noting that the conference report on appropriations for Commerce, Justice, State and other agencies for fiscal year 2000 purported to divert halibut/sablefish IFQ fees from their intended purposes in the North Pacific to Hawaiian communities. To comply with this conference report directive would be a gross violation of the express provisions of the Magnuson-Stevens Act and an unconscionable breach of the Federal Government's commitment to the fishermen, communities, and fisheries of the North Pacific. I urge our elected representatives in Congress to stop this ill-considered diversion of funds.

**Comment on Gulf coastal communities proposal**

The Gulf of Alaska Coastal Communities Coalition will be sponsoring a proposal which would allow certain tax exempt coastal village corporations of Alaska to participate in the

purchase of IFQ for halibut and sablefish. The villages are part of the large native regional corporations set up under the Alaska Land Settlement Act program. There are about 42 villages in the Gulf of Alaska that have been identified that would participate in these purchases. The Fishing Vessel Owners Association and Deep Sea Fishermens Union oppose this for the following reasons.

1. The halibut and sablefish IFQ program was set up to ensure an owner operated fleet in the future. For the past 5 seasons crew and boat owners have been purchasing QS on this basis. The GACCC proposal would allow corporations to bid against crew and boat owners in the market and lease back to certain village fishermen. This would begin to turn the fishery into a company store fishery with the fisherman not being the owner of the QS.

2. The 42 villages are part of five larger native regional corporations that generated well over 200 million dollars in net operating profit last year. There is no reason these regional corporations can not assist the villages and underwrite the local fisherman if there is a problem.

3. Some of the existing sources of funding at this time are as follows: (a) The Bureau of Indian Affairs provides individual business loans of up to 500,000 dollars and each individual village can qualify for up to a 5,000,000 dollar loan, which could be used to help local residents. (b) The State of Alaska has its own loan program for Alaskans. In fact, the State provided loans for 199 IFQ holders, according to the RAM Report, 1999, page 23. (c) The village fishermen can participate in the existing IFQ loan program established under the 1996

Magnuson-Stevens Act amendments. The NMFS loan program has provided loans for 14 IFQ operators. RAM Report, 1999, page 23 (d) Private banks have providedloans for 1,234 IFQ holders. RAM Report , 1999, page 23

We also have the concern that if 42 villages maximized the ownership privileges that this could result in 40 percent of the resource of sablefish and 20 percent of the recourse of halibut being bought up from the existing quota share pool. These is a concern that over the long term the quota purchased by the villages will not circulate for future purchases as does quota share when existing crew and or boat owners retire. This will push up the cost of entry for crews and new vessel owners that are not members of the villages. In addition to this the villages are tax exempt, which will give them a 20 percent advantage on price when bidding against crew and boat owners.

## WEST COAST GROUNDFISH

Major groundfish fisheries off the coast of Washington, Oregon, and California are in severely depressed condition. The impact on the affected industry and dependent communities is serious.

**Key facts about stock conditions and economic impacts**

Certain key ground fisheries off Washington, Oregon and California have had the

following reductions in allowed harvest since 1982, when the Pacific Council adopted its groundfish management plan.

| | **1983 ABCs** | **2000 ABCs** |
|---|---|---|
| Sablefish | 13,400 mt | 9,692 mt |
| Widow rockfish | 18,300 mt | 5,750 mt |
| Lingcod | 7,000 mt | 700 mt |
| Bocaccio | 6,100 mt | 164 mt |
| Canary | 2,700 mt | 356 mt |
| Dover sole | 19,000 mt | 9,426 mt |

The cut back in harvest level in 1998 resulted in revenues to the vessels dropping from $99,479,252 to $67,803,000. SAFE document, 1999, Pacific Council. This represented a 32 percent drop in income. The revenue information from 1999 is not available, but should show a further income decrease, as the Council reduced the rockfish harvest in 1999. The 2000 harvest levels have been reduced from the 1999 levels, with the addition of 5 overfished species. When a resource has been declared overfished additional restrictions are required. It is anticipated that some fishing will have to be curtailed in 2000, because certain overfished

resources will hit their harvest limits midway through the year. This will result in the allowable harvests of the healthy resources not being fully taken. The State of Oregon has predicted that the 2000 cuts in harvest could result in an additional $24 million in lost income.

The condition of these fisheries has resulted from failures of local science, regional management, and national policy. Due to poor data and dubious scientific analyses, stock assessments have been fatally flawed. Lack of confidence in the science, and failure to employ the precautionary approach have led to excessive allowable catches. Belated management responses to the deplorable condition of the groundfish fisheries have been hampered by the moratorium on IFQs and by overly broad interpretations of it. The Pacific Council has reduced harvests in each of the past three years, but has been unable to institute a management system that would mitigate the economic impacts and reduce excess capacity.

Management of trawl and fixed gear operations is accomplished with the use of trip limits. The trip limit management tool can be successful when the amount of fishing effort matches up with sufficient quantities of fishery resources. This tool fails, where there is an imbalance. The lower Pacific Coast has too much effort and too little resource.

Other than for fixed gear sablefish harvests, all trip limits are the same for every vessel. There is one set of trip limits per vessel, and that set applies uniformly to all vessel sizes and gear types. Currently, two or more licenses cannot be combined, or "stacked", for a single vessel, thus precluding an efficient means of consolidating excessive effort. Consequently, the fisheries

remain extremely inefficient and difficult to manage for conservation.

For each trawler or longliner, trip limits apply to 14 species. These trip limits are supposed to be harvested once every three months, and sometimes, once every two months. These limits become, as they are now, economically unsustainable, when allowable harvests fall below, and harvesting capacity rises above, certain levels.

Most of the economically important species for the fixed gear industry have such low trip limits that the fixed gear vessels have in many cases ceased to operate, except for sablefish. The recent reduction for the 2000 season will likely be as disastrous to the trawl fleet as preceding reductions have been to the fixed-gear fleet.

The fixed-gear sablefish fishery is managed with three tiers, each tier having a different trip limit based on the historical production of the participating vessels. In 1999, each vessel that had a sablefish permit was allowed a nine-day season, regardless of the poundage of the applicable tier. The Pacific Council attempted to allow a longer period of time for harvest, in order to provide for safety, reduce management uncertainty, and better fit sablefish harvests with other fishing activities. However, the NOAA General Counsel's Office maintained that, to allow too much time to catch a trip limit would be construed as an IFQ, and therefore, would violate the moratorium in the Magnuson-Stevens Act. On the basis of that ruling, the Pacific Council is currently forced to adjust harvest time and trip limit sizes for the fixed gear sablefish fleet in a manner that creates a 26% probability that a trip limit <u>will not</u> be achieved during a

given fishing time. This percentage is called "overhead". Overhead guarantees that the race for fish in tightly constrained fisheries suffering from excess capacity will be greatly accelerated. Conservation and safety risks, as well as economic inefficiency, increase accordingly. Ever greater financial pressures lead vessel owners to add more crew, conduct fishing operations around the clock, and fish in dangerous weather conditions. For their part, the government managers occupy themselves with readjusting the fishing periods to account for fluctuations in the fisheries in a manner that will ensure continued achievement of the 26% probability that the trip limits will not be reached.

The fixed gear solution that has been discussed and supported by many of the affected permit holders would include allowing the existing sablefish tiers to be harvested over a nine-to-twelve-month time frame. Of course, this would require removal of the overhead requirement, because any season this long would result in the certainty of a permit trip limit being harvested. In view of the prevailing legal ruling, the removal of the overhead requirement would be permissible only if the Magnuson-Stevens Act moratorium were lifted for this fishery.

The ability to "stack" the permits and provide for reasonable, cumulative trip limits for sablefish and/or other groundfish species is also supported among those who operate in these fisheries. This approach would allow the fleet size to be reduced, so that harvesting capacity would better fit with the available resource and management would be less difficult. NOAA General Counsel has indicated that allowing stacking begins to assure fishermen certain

guarantees of achieving trip limits, and therefore, cannot be reconciled with the IFQ moratorium. Here, again, the need for lifting the moratorium becomes evident.

As noted, above, the other, vital need is to authorize an industry-funded observer program for the West Coast groundfish fisheries. This requires an amendment to section 313 of the Magnuson-Stevens Act. 16 USC 1862. I have noted that the present economic conditions in these fisheries is such that industry fees to fund an observer program would be unwelcome. However, as I have also noted, the establishment of a credible observer program is indispensable to gaining an understanding of the groundfish fisheries that will allow their effective conservation and management. If Congress will not appropriate the funds in the public interest to provide for such a program, then there is no alternative to industry, in its own interest, finding the means to do so.

There are provisions of the Magnuson-Stevens Act that would appear, at first blush, to have some potential for ameliorating the conditions in the West Coast groundfish fisheries. However, upon close examination, each of these provisions has its deficiencies. Fisheries disaster assistance, as provided by section 312(a) of the Magnuson-Stevens Act (16 USC 1861a(a)) has merit, within limits. It does not answer the need for a long-term resource recovery program, and there are many issues concerning appropriation and allocation of funds under this section that would have to be resolved before short-term relief could be implemented. Accordingly, I believe that, if fisheries disaster relief is seriously pursued, it must not be allowed

to divert attention and effort from achieving the long-term solution of reduced fishing capacity and increased resource abundance. I add that this provision does not authorize funding beyond the end of fiscal year 1999.

An industry-funded capacity reduction program, as authorized by section 312(b)-(d) of the Magnuson-Stevens Act has some superficial appeal. However, the economic and resource conditions of the West Coast groundfish fisheries are so badly deteriorated, it is difficult to see how the statutory requirements can be met for financing a buyback.

**CONCLUSION**

By any rational measure, the halibut/sablefish IFQ program has been a great success. With this example firmly established, individual transferable quotas should be available to fisheries managers nationwide, and in particular, should not be barred for West Coast groundfish fisheries. In addition, Congress should authorize an industry-funded observer program for the West Coast groundfish fisheries, so that, if federal funds are not forthcoming, vitally needed observer data can be secured, nonetheless.